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9TH ANNUAL McGRAW-HILL SURVEY OF INVESTMENT IN EMPLOYEE SAFETY AND HEALTH

American business expects to boost capital investment in employee safety and health by a sharp 22.5% in 1981 to $5.1 billion (Table I), according to McGraw-Hill's 9th annual safety and health expenditure survey. If business' spending plans are realized, it would likely mean an inflation-adjusted jump in safety and health expenditures of more than 10%. By contrast, survey respondents expect capital investment in all types of plant and equipment to rise by just 1.5% this year after inflation is stripped away.

The apparent robustness of safety and health spending plans may be somewhat illusory, however. For even if the high 1981 target is hit, spending on safety and health this year would be just 17% above 1979 levels and that translates into no "real" gain during the period.

The reason for this flatness over the two-year span, despite the projected 1981 surge, is that investment in safety and health equipment declined last year to $4.1 billion from $4.3 billion the year before.[1] This decline occurred even though firms had originally scheduled large increases in 1980 spending. It appears that as business held back on overall capital spending in the face of last year's recession, it cut

[1]McGraw-Hill's series on employee safety and health capital spending has been revised in line with the U.S. Commerce Dept.'s revision of total plant and equipment expenditures. The revised historical safety and health data are in Tables III and IV at the end of this report.

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back most sharply in areas (like safety and health) least essential to maintaining operations.

If the high 1981 spending target is viewed in light of the 1980 dip it can be seen as an effort to catch up on projects delayed last year, and not as the beginning of a new spurt in safety and health spending. In fact, the survey provides evidence that safety and health spending is on the wane. Even if the projected 22.5% advance is attained this year, it would still leave safety and health capital investment $1.5 billion below the peak of $6.6 billion reached in 1978. Moreover, survey projections for 1982-84 suggest that real safety and health spending will decline rapidly in the coming years. A caveat here, however, is that projections for 1982-84 must be considered tentative at best. At the same time, the 1982-84 survey result may indicate that respondents expect the Reagan Administration to fulfill its promise to stop the rise in government regulations--in particular, regulations by the Occupational Safety and Health Administration (OSHA).

Industry Spending

The industry targeting the biggest percentage increase in 1981 safety and health spending is gas utilities--up 139%. However, the gas utilities' level of projected 1981 spending is a relatively small $50 million. Industries that are much more significant in raising aggregate safety and health investment are: autos, trucks, and parts (projected spending up 122% this year to $205 million); chemicals (up 29% to $581 million); rubber (up 76% to $255 million); petroleum (up 21% to $201

million); food (up 31% to $199 million); textiles (up 39% to $178 million); and trade and services (up 29% to $402 million).

By contrast, the machinery industry plans to reduce its capital expenditures on safety and health by 11% this year. And the paper and communications industries expect to keep increases below 10%. Both the machinery and paper industries, however, recorded major increases in safety and health investment in 1980. Machinery's expenditures rose by 89% to $378 million while paper's spending jumped by 53% to $102 million last year.

Relative to total capital spending, industries allocating the most to employee safety and health are rubber and textiles. Traditionally, the textile industry has put a high proportion of its capital spending into safety and health in order to combat cotton dust. For the last few years, that share has averaged more than 7% compared to about 2% for business as a whole. The textile share is currently slated to rise to 10% in 1981.

Rubber's share of capital spending devoted to employee safety and health is scheduled to bounce up to nearly 13% in 1981 from over 8% in 1980. That represents a sharp increase from the late 1970s, when the share averaged just over 2%. (In 1974, however, the share topped 8%.) This increase seems to have no single explanation, although industry sources say that many OSHA regulations affect rubber companies one way or another.

For business as a whole, safety and health equipment purchases as a share of total capital spending is put at 1.5% in 1981, about the same as in the past two years. Similarly, in 1982-84 the projected proportion is 1.3%. These shares contrast sharply with the peak of 2.9% in 1979. Thus, as with the expenditure data, these figures suggest a decline in the impact of safety and health spending on total capital spending.

TABLE I

PLANS FOR INVESTMENT IN EMPLOYEE SAFETY AND HEALTH
(Millions of Dollars)

INDUSTRY	Actual 1980	Planned 1981	% Change 1980-81	Planned 1982-84 Average Annual Expenditure	% Change 1981 to 1982-84 Average
Iron & Steel	$ 34.5	$ 45.2	31.0%	$ 46.9	3.8%
Nonferrous Metals	62.2	73.0	17.4	71.1	-2.6
Electrical Machinery	160.4	180.3	12.4	122.8	-31.9
Machinery	378.0	336.0	-11.1	536.1	59.6
Autos, Trucks & Parts	92.3	204.5	121.5	208.6	2.0
Aerospace	28.2	32.3	14.5	26.9	-16.7
Fabricated Metals	35.9	46.9	30.6	36.5	-22.2
Instruments	26.4	51.6	95.5	23.7	-54.1
Stone, Clay & Glass	135.6	174.6	28.8	89.5	-48.7
Other Durables	137.2	200.4	46.1	112.9	-43.7
TOTAL DURABLES	1,090.7	1,344.8	23.3	1,275.0	-5.2
Chemicals	449.3	581.2	29.4	729.5	25.5
Paper & Pulp	102.3	109.7	7.2	76.9	-29.9
Rubber	144.8	254.7	75.9	94.0	-63.1
Petroleum	165.5	200.5	21.1	105.1	-47.6
Food & Beverages	151.2	198.5	31.3	196.5	-1.0
Textiles	127.7	177.5	39.0	136.2	-23.3
Other Nondurables	106.5	120.5	13.1	169.9	41.0
TOTAL NONDURABLES	1,247.3	1,642.6	31.7	1,508.1	-8.2
ALL MANUFACTURING	2,338.0	2,987.4	27.8	2,783.1	-6.8
Mining	362.3	390.7	7.8	420.8	7.7
Railroads	88.4	124.2	40.5	182.8	47.2
Airlines	52.7	76.0	44.2	76.6	0.8
Electric Utilities	466.7	521.4	11.7	539.9	3.5
Gas Utilities	21.0	50.1	138.6	56.4	12.6
Communications & Other	488.0	506.3	3.8	601.9	18.9
Trade & Services	310.6	401.6	29.3	472.0	17.5
ALL NONMANUFACTURING	1,789.7	2,070.3	15.7	2,350.4	13.5
ALL BUSINESS	4,127.7	5,057.7	22.5	5,133.5	1.5

TABLE II

EMPLOYEE SAFETY AND HEALTH INVESTMENT
AS A PERCENT OF CAPITAL SPENDING

INDUSTRY	Actual 1980	Planned 1981	Planned 1982-84 Average
Iron & Steel	1.1%	1.2%	1.0%
Nonferrous Metals	2.0	1.9	1.5
Electrical Machinery	1.7	1.6	0.9
Machinery	3.3	2.5	3.6
Autos, Trucks & Parts	1.0	1.7	1.6
Aerospace	0.4	0.5	0.6
Fabricated Metals	1.2	1.4	1.1
Instruments	1.2	2.0	1.1
Stone, Clay & Glass	3.5	4.5	2.0
Other Durables	1.9	2.8	1.2
TOTAL DURABLES	1.5	2.2	1.8
Chemicals	3.6	4.2	5.0
Paper	1.5	1.6	1.2
Rubber	8.4	12.8	3.5
Petroleum	0.8	0.7	0.3
Food & Beverages	2.0	2.1	2.1
Textiles	7.9	9.5	7.7
Other Nondurables	1.8	1.7	2.4
TOTAL NONDURABLES	2.2	2.4	2.0
ALL MANUFACTURING	2.0	2.2	1.8
Mining	2.7	2.7	2.6
Railroads	2.1	3.1	2.9
Airlines	1.3	1.3	1.2
Electric Utilities	1.7	1.7	1.7
Gas Utilities	0.3	0.6	0.5
Communications & Other	1.2	1.2	1.1
Trade & Services	0.4	0.4	0.5
ALL NONMANUFACTURING	1.0	1.0	1.0
ALL BUSINESS	1.4	1.5	1.3

TABLE III

INVESTMENT IN EMPLOYEE SAFETY AND HEALTH
(Millions of Dollars)

INDUSTRY	1972	1973	1974	1975	1976	1977	1978	1979
Iron & Steel	$ 132	$ 86	$ 68	$ 57	$ 27	$ 33	$ 43	$ 56
Nonferrous Metals	30	55	94	143	63	34	34	57
Electrical Machinery	68	74	77	82	106	107	125	153
Machinery	97	155	167	114	105	158	231	200
Autos, Trucks & Parts	144	169	370	80	40	198	159	349
Aerospace	22	35	66	59	74	70	84	158
Other Transportation Equipment	18	15	15	26	19	23	122	NA
Fabricated Metals	19	33	45	30	31	115	84	98
Instruments	15	35	92	107	29	30	48	56
Stone, Clay & Glass	34	74	80	98	62	99	96	35
Other Durables	48	56	69	92	47	74	159	NA
TOTAL DURABLES	627	787	1,143	888	603	941	1,185	1,328
Chemicals	71	85	136	244	284	252	296	356
Paper	53	62	49	66	65	43	88	67
Rubber	14	34	132	66	31	30	36	48
Petroleum	62	168	197	240	118	228	446	146
Food & Beverages	92	98	97	109	192	154	203	126
Textiles	84	59	63	51	42	101	92	116
Other Nondurables	42	20	38	44	51	131	110	186
TOTAL NONDURABLES	418	526	712	820	783	939	1,271	1,045
ALL MANUFACTURING	1,045	1,313	1,855	1,708	1,386	1,880	2,456	2,373
Mining	101	103	222	171	134	305	13	114
Railroads	29	32	54	58	184	30	97	81
Airlines	48	36	25	24	52	17	253	60
Other Transportation	137	133	61	117	83	189	111	52
Communications	305	739	536	458	541	565	704	418
Electric Utilities	190	135	216	167	150	200	443	249
Gas Utilities	24	33	48	30	47	87	27	19
Trade & Services	1,400	1,092	1,386	1,109	838	1,018	2,541	951
ALL NONMANUFACTURING	2,234	2,303	2,548	2,134	2,029	2,411	4,189	1,944
ALL BUSINESS	3,279	3,616	4,403	3,842	3,415	4,291	6,645	4,317

TABLE IV

EMPLOYEE SAFETY AND HEALTH INVESTMENT
AS A PERCENT OF CAPITAL SPENDING

INDUSTRY	1972	1973	1974	1975	1976	1977	1978	1979
Iron & Steel	12.3%	6.9%	3.5%	1.9%	0.9%	1.2%	1.7%	1.8%
Nonferrous Metals	3.1	4.2	4.6	6.6	3.2	1.8	1.6	2.4
Electrical Machinery	2.4	2.1	2.0	2.6	2.9	2.3	2.2	2.1
Machinery	3.0	3.9	3.2	2.3	1.9	2.4	3.2	1.9
Autos, Trucks & Parts	4.8	4.4	8.6	2.4	1.1	3.4	2.2	4.2
Aerospace	3.3	4.0	4.4	3.5	4.4	3.5	2.6	3.0
Other Transportation Equipment	2.4	1.6	1.4	2.9	1.8	1.9	7.7	NA
Fabricated Metals	1.3	1.8	2.3	1.5	1.4	4.6	2.9	3.2
Instruments	1.7	3.0	7.7	10.1	2.6	2.2	3.0	3.2
Stone, Clay & Glass	2.5	4.7	4.9	5.9	3.3	4.4	3.1	0.9
Other Durables	2.3	2.2	2.5	3.8	1.9	2.5	4.8	NA
TOTAL DURABLES	3.4	3.5	4.2	3.4	2.1	2.8	2.9	2.6
Chemicals	2.1	2.0	2.1	3.2	3.5	3.1	3.5	3.3
Paper	3.6	3.1	1.7	2.2	2.1	1.2	2.2	1.2
Rubber	1.4	2.2	8.4	5.7	2.4	2.5	1.7	2.2
Petroleum	1.3	3.6	2.7	2.5	1.1	1.8	3.2	0.9
Food & Beverages	2.8	2.7	2.4	2.7	4.0	3.0	3.4	1.9
Textiles	7.9	5.7	5.8	5.7	4.0	8.0	6.7	7.7
Other Nondurables	1.9	0.8	1.6	1.9	2.2	4.8	3.2	3.9
TOTAL NONDURABLES	2.4	2.7	2.8	2.9	2.5	2.7	3.2	2.2
ALL MANUFACTURING	3.0	3.1	3.5	3.1	2.3	2.7	3.1	2.4
Mining	3.5	3.1	4.8	2.8	1.8	3.3	1.3	1.0
Railroads	1.7	1.5	2.0	2.0	6.4	1.0	2.8	2.0
Airlines	2.2	1.7	1.3	1.5	4.5	0.8	8.2	1.5
Other Transportation	4.8	4.2	1.7	2.8	1.7	4.5	2.7	1.2
Communications	3.4	3.5	2.3	2.1	2.3	2.1	2.2	1.2
Electric Utilities	1.4	0.9	1.3	1.0	0.8	0.9	1.8	0.9
Gas Utilities	0.9	1.1	1.5	0.9	1.3	1.9	0.5	0.3
Trade & Services	3.5	2.4	2.9	2.4	1.7	1.8	3.7	1.2
ALL NONMANUFACTURING	3.0	2.4	2.5	2.1	1.8	1.9	2.8	1.1
ALL BUSINESS	2.7	2.6	2.8	2.4	2.0	2.2	2.9	1.6